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CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

COUNTRY Hungary

DATE DISTR. 26 May 1949

SUBJECT

Hungarian Political, Military and
Economic Situations

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SUPPLEMENT TO
REPORT NO. 50X1-HUM

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Attached herewith for your information and retention are the following

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- a. Decisions of the Hungarian Supreme Economic Council;
- b. Soviet Troop Movements in Hungary;
- c. Integration of Hungarian Economy with the Soviet Plan;
- d. Soviet Air Units in Hungary; and
- e. Hungarian Railroad Information.

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H UDecisions of the Supreme Economic CouncilSupplementary Credit for the NIK Heavy Industries

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The Supreme Economic Council, on the proposal of the Planning Office and for the purpose of effecting the Three Year Plan in 2½ years, is willing to increase by a supplementary credit of 27,701,000 florins the credits granted to the following enterprises of the NIK between August and December 1948:

Ganz Wagon:	1. Wood assembling workshop	1,700,000 ✓	
	2. New "A" mechanic workshop	1,200,000 ✓	
	3. Joiner's shop	400,000	
	4. Central store	550,000	3,850,000
Manfred Weiss:	1. Ball bearings	1,950,000 ✓	
	2. High pressure station	2,300,000 ✓	4,250,000
Magyar Wagon:	1. Central store	700,000	
	2. Development of Automobile factory	1,115,000 ✓	1,815,000
Rima à Czd:	1. Ore train	800,000	
	2. Ore sorting	1,300,000	2,100,000
Mavag Budapest:	1. Locomotive construction	1,064,000	
	2. Automobile construction	400,000	
	3. Other workshops	880,000	2,344,000
Mavag:	1. Installation of a 3rd boiler	1,500,000 ✓	
	2. Increased power production	2,255,000 ✓	
	3. Increase of raw materials	1,879,000 ✓	
	4. Foundry washtubs	983,000 ✓	
	5. Steel foundry	370,000 ✓	
	6. Expansion of workshops	1,000,000 ✓	7,987,000
Sigmund Hubert:	1. Steel mill	300,000	300,000
Hoffherr:	1. Increased production of tractors	5,055,000 ✓	5,055,000
Total.			27,701,000

This supplementary credit of 27,701,000 florins will be divided as follows:

September	=	9,000,000	florins	added to the planned budget
October	=	6,500,000	"	"
November	=	6,500,000	"	"
December	=	5,701,000	"	"

Note: The ~~florins~~ "florins" for the Hungarian "forints" has been retained.

Double Note: The ~~florins~~ "florins" originated in Florence, eq. also English pounds = 13.6

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Organization of a Research and Advisory Section for Inventions

The Supreme Economic Council authorizes the Planning Office to organize a research and advisory section for inventions and, for that purpose, authorizes the hiring of 30 employees.

The SEC authorizes for the Planning Office a supplementary monthly grant of 108,000 florins as of 1 September, of which 100,000 florins per month will be given as prizes for interesting inventions, 5,000 florins for paying experts, 3,000 florins for the purchase of national and foreign publications.

Later, this special section will be transformed into an independent bureau for inventions and technical improvements. The Planning Office will prepare a proposal relative to this future Bureau.

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Credits Momentarily Suspended by the Supreme Economic Council:

--for the personal expenses of Mihaly Karolyi	100,000 florins
--repair of Catholic churches	88,250 florins

Credit to Cover the Deficitof State Enterprises

Service on NIK interests	2,000,000
NIK - Hoffher	2,000,000
NIK - Lampart	800,000
MASZ (state collieries)	8,400,000
Ajka Power Plant	600,000
Matravideki Power Plant	300,000
Danuvia	500,000
Gamma	400,000
EGART	377,000
Nitrochemia	500,000
Herandi	90,000
Parad Glassworks	60,000
Budapest Mills	40,000
MESZ (Budapest Cold Storage Trade	400,000
Brick Industry	<u>585,000</u>
Total	17,062,000 florins

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~~U.S. OFFICIALS ONLY~~H U N G A R YSOVIET MILITARY TRANSPORTS NOTED AT BUDAPEST -
KELENFOLD BETWEEN 16 AND 30 SEPTEMBER 1948

During the 2nd fortnight of September, Soviet Military transports have slightly increased:

The following has been noted:

From East to West:

157 ammunition cars going either towards Austria via Hegyeshalom, or to Hajmasker or Veszprem in the zone of the manoeuvres.

148 cars of dismantled airplanes or spare parts, 61 of which were destined for Austria and the others intended for the air units at Veszprem.

Few troops: only 62 cars going towards Austria.

From West to East:

Family transportation to USSR is active again:

225 cars of which 72 from Szombathely

138 " Austria via Hegyeshalom

7 " Veszprem

8 " Hegyeshalom

Few troops: 38 cars from Austria.

Airplane engines: 51 cars from Austria and Hungary.

The number of gasoline tank cars coming from Austria and going towards Lokoshaza is very large: 1,185.

(page 18-32B)

It must be pointed out:

- I) - that many trains, in one direction or the other, travel now via Szob (Hungarian-Slovak Border) thus avoiding the traffic congestion of Zahony and Csap.
- II) - that the gasoline deliveries to the Soviet air forces are effected directly by the USSR and independently of the local resources.

(page 18-31 b)

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SECRET**CONTROL
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Date	Destination	No. of Cars	Nature of Shipment	Remarks
16/9/48	Hegyeshalom transit	31	ammunition	transit from Szob
"	" "	38	empty tank cars	" Lokoshaza
17/9/48	" "	36	airplanes and motor cars	" Zahony
"	" "	32	empty tank cars	" Lokoshaza
18/9/48	" "	5	troops	?
"	" "	37	empty tank cars	" Lokoshaza
"	" "	34	empty cars	
19/9/48	Veszprem	37	ammunition	" Szob
"	Hegyeshalom	40	empty tank cars	" Lokoshaza
20/9/48	"	18	troops	
"	"	32	empty tank cars	" Lokoshaza
21/9/48	"	39	" "	" "
"	Veszprem	40	gasoline	" Zahony
22/9/48	Hegyeshalom transit	39	empty tank cars	" Lokoshaza
"	Hajmasker	28	ammunition	" Zahony
23/9/48	Hegyeshalom transit	32	motor cars, troops	" "
"	" "	35	empty tank cars	" Lokoshaza
"	" "	30	ammunition	" Zahony
"	" "	42	empty	cars O.B.B.
24/9/48	Veszprem	10	airplane parts	transit Ferencvaros
"	Hegyeshalom transit	40	empty tank cars	" Lokoshaza
"	" "	29	airplane parts	" Zahony
"	Budaors	21	gasoline	" Ferencvaros
25/9/48	Veszprem	9	airplane parts	" "
"	"	5	troops	" Zahony
"	Hegyeshalom transit	37	empty tank cars	" Lokoshaza
"	Sopron transit	32	airplane parts	" Zahony
26/9/48	Szkesfehervar	5	" "	" Ferencvaros
"	Hegyeshalom transit	39	empty tank cars	transit Lokoshaza
"	Szkesfehervar	18	gasoline	

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27/9/48	Hegyeshalom transit	30	empty tank cars	transit Lokoshaza
28/9/48	Veszprem	27	airplane parts	" Zahony
"	Hegyeshalom transit	37	empty tank cars	" Lokoshaza
"	" " "	38	empty	Ö.B.B. cars
29/9/48	" "	7	troops	transit Zahony
"	Veszprem	31	ammunition	" "
"	Hegyeshalom transit	40	empty tank cars	" Lokoshaza
30/9/48	" "	39	" "	" "
"	" "	34	" "	" "

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EXTRAORDINARY CREDITS GRANTED BY THE ECONOMIC COUNCIL

It is interesting to note:

- 1) - that the Red Army, contrary to the terms of the Peace Treaty, continues to weigh fairly heavily on the Hungarian Budget; that the liquidation of the German debt has not yet been settled and that the Soviet companies in Hungary, for the most part operating at a deficit, are being set back on their feet by Hungarian help.
 - 2) - that, considering the nature of the relationship with the Catholic Church, only the Protestant Churches now benefit from extraordinary credits.
 - 3) - that the services of Mr. Mihaly Karolyi, present Minister of Hungary in Paris, are sufficiently appreciated and merit for him substantial payments.
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SUPPLEMENTARY CREDIT FOR AUGUST
DECEMBER 1948 FOR PROPAGANDA AND PRESS EXPENSES

The Supreme Economic Council, in agreement with the Audit Office, authorizes for the Ministry of Commerce and Cooperatives, I. Administration of foreign commerce, 5. press and propaganda publications, a supplementary credit of 41,670 florins for August through December.

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ASSISTANCE TO THE VETERANS' ASSOCIATION (Fighters for Freedom)

The Supreme Economic Council approves a monthly increase from 55,000 florins to 140,000 florins for September and October 1948 in the Government's assistance to the Veterans' Association so that the Association can fulfill its duties appropriately. This means a supplementary credit of 170,000 florins in addition to the 275,000 florins voted for 5 months. These grants are charged to the Assistance to Democratic Associations on the budget of the Ministry of the Interior.

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**SETTLEMENT OF THE HUNGARIAN DEBT FOR
RENTAL OF FRENCH RAILROAD CARS**

The Supreme Economic Council approves the agreement reached between the French railroads and the MAV (National Railroads of Hungary), by which the MAV debt of 30,838,52 gold francs will be cancelled by the French debt to Hungary for repairs to French railroad cars.

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SECRET**CONTROL
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Date	Destination	No. of Cars	Nature of Shipments	Remarks
16/9/48	transit Zahony	7	empty ammo boxes	from Hajmasker
"	" "	11	families	" Szombathely
"	" Lokoshaza	40	tank cars	transit Hegyeshalom
"	" "	32	"	" "
"	" ?	30	families	" "
17/9/48	" Lokoshaza	110?	gasoline tank cars	" "
"	" ?	20	families	from Szombathely
"	" Lokoshaza	24	"	transit Hegyeshalom
18/9/48	" ?	14	"	from Szombathely
"	" Zahony	4	empty ammo boxes	" Veszprem
"	" Lokoshaza	81	gasoline tank cars	transit Hegyeshalom
19/9/48	" "	77	" "	" "
"	" Zahony	34	empty tank cars	from Szekesfehervar
20/9/48	" "	6	airplane engines	" "
"	" Lokoshaza	116	gasoline tank cars	transit Hegyeshalom
"	" ?	11	families	" Szob
"	" Zahony	38	"	" Hegyeshalom
21/9/48	" Lokoshaza	74	gasoline tank cars	" "
"	" Zahony	27	families	from Szombathely
22/9/48	" "	5	empty ammo boxes	" Hajmasker
"	" "	41	machines and factory equipment	transit Hegyeshalom
"	" Lokoshaza	80	gasoline tank cars	" "
23/9/48	" "	72	" "	" "
24/9/48	" Zahony	3	airplane parts	from Veszprem
"	" Szob	7	families	" "
"	" Zahony	32	airplane and automobile engines	transit Hegyeshalom
"	" Lokoshaza	39	gasoline tank cars	" "
25/9/48	" Zahony	4	airplane parts	from Sopron
"	transit Szob	12	families	transit Hegyeshalom

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25/9/48	transit Lokoshaza	109	gasoline tank cars	transit Hegyeshalom
"	" Zahony	38	empty tank cars	from Veszprem
26/9/48	" "	9	airplane parts	transit Hegyeshalom
"	" Lokoshaza	40	gasoline tank cars	" "
"	" Zahony	38	motor cars and troops	" "
"	" "	23	families	" "
27/9/48	" Szob	8	"	from Hajmasker
"	" Lokoshaza	78	gasoline tank cars	transit Hegyeshalom
28/9/48	" Zahony	39	machines and factory equipment	" "
"	" Lokoshaza	82	gasoline tank cars	" "
29/9/48	" "	79	" "	" "
30/9/48	" Szob	36	motor cars, anti- tank sheals	" "
"	" Lokoshaza	38	gasoline tank cars	" "

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MONTHLY EXPLOITATION REPORT OF THE (MAV) HUNGARIAN STATE RAILWAY

The comments made by the Directorate of the MAV evidence the following facts:

1. Increasing transportation difficulties, at the crop season, due to shortage of box (covered) cars. (The report blames these difficulties on the poor condition of the box (covered) cars. It may be recalled that the Soviets have forbidden the use of a large number of cars, right at that time.)

2. The report mentions the building of a second track on the Budapest-Miskolc line. This line is now completed. It is of very great importance because it would allow a considerable increase in the volume of the Soviet transports from Csap or Munkacs, westward.

3. According to the report, 30,730 cars were used in July. The MAV has 35,000 available.

Turnaround time for regular cars used to be 7 days. The Ministry of Communications has just reduced it to 4.3 days. A car must now be unloaded within two hours after having reached its destination.

The number of locomotives has increased regularly. There were 1,107 locomotives in July.

4. Concerning the volume of the international exchanges guaranteed by the MAV, there was a marked decrease in the imports from Yugoslavia, from 75,257 tons in March, to 34,409 tons in July.

5. The comments on the maintenance of equipment indicate an aggravation in the financial situation which was already considered very bad in June, and the catastrophic consequences that this situation can create in the matter of food supplies, both within Hungary and abroad.

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DECISION N° 2030/1948 OF THE SUPREME ECONOMIC COUNCIL

2 September 1948

Extract from the list of supplementary and extraordinary
credits granted during September, within the August-
December bracket.

International Obligations:

Upkeep of the Red Army: installment, (extraordinary grant)	3,500,000 florins
Allied Control Commission: (supplementary grant)	795,544 florins
Railroad car repairs: (extraordinary grant)	1,000,000 florins

Presidency of the Council:

Damages to Mihaly Karolyi a) for his childre, 5000 Swiss francs a month for two years (extraordinary grant)	14,000 florins
b) special funds	400,000 florins

Ministry of Foreign Affairs:

Expenses and special assistance to the Soviet-Hungarian Cultural Society (supplementary grant)	190,000 florins
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Ministry of the Interior:

Police: purchase of equipment	500,000 florins
" automobiles	1,000,000 florins

Ministry of Finance:

Indemnity to former shareholders of the Nationalized banks--(extraordinary grant)	10,000 florins
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National Railroads:

Equipment for the border-station of Zahony	2,500,000 florins
Re-purchase of sleeping car equipment	5,074,000 florins

Ministry of Public Education:

Rebuilding of the war-destroyed Protestant churches (extraordinary grant)	500,000 florins
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Assistance to public schools

(supplementary grant)

400,000 florins

X-X-X-X-X-X-X-X-X

Extract from the supplementary or extraordinary grants
for September only

National debts:

Execution of the financial agreement with

England (extraordinary grant)

500,000 florins

International obligations:

Upkeep of the Red Army (extraordinary grants) 2,500,000 florins

For the Soviet nationalized railroads

(extraordinary grant)

775,000 florins

Remittance to USSR of the German

credits in Hungary (supplementary grant)

9,785,000 florins

Advance on the credits of Soviet companies

3,000,000 florins

Presidency of the Council:

Damages to Mihaly Karolyi

reconstruction costs of the Parad bath

375,000 florins out

of 1,500,000 authorized

Ministry of Foreign Affairs:

International obligations (supplementary

grant)

3,000,000 florins

Reimbursement for the devaluation of the

ruble, to the Hungarian Embassy in Moscow

55,000 florins

Ministry of the Interior:

Police: purchase of equipment

2,000,000 florins

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HUNGARY

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Activities of the Soviet Air Units

There has been no apparent change whatsoever during September in the nature and the importance of the Soviet air units stationed in Hungary.

Instead of remaining grouped as before on the Veszprem fields, on 26 September the formations were distributed on the fields of veszprem-Jutas, Veszprem-Szabadi, and Papa and Kenyeri. The total number and the type of aircraft remained about the same: 280 approximately (fighter and attack planes).

On the other hand, activities increased considerably: daily firing practice, either diving on land targets or firing on aircraft-towed targets. Planes seldom flew alone, but almost always in combat formation, in squadrons of 9 aircraft.

A tight communication network of dispatch riders, cable and radio has just been established with the ground troops manoeuvring in the Hajmasker region, and it now seems that the air units will take part in the large-scale manoeuvres project for October.

At Papa, isolated aircraft, not belonging to the units stationed in Hungary, have been seen: LA.5 and AEROCOBRA, light TU.2 bombers, and 4-engine TU.70 bombers.

These various aircraft remained at Papa only for short periods. For 2 or 3 consecutive days, they made numerous short flights as though to reconnoitre the terrain. Moreover, the Papa airdrome is the only one in Hungary available to bombers.

Between 24 and 27 September, the following aircraft and vehicles were seen at:

Veszprem-Jutas: 66 JaK 9

36 IL 2

2 PO 2

On the field: 5 radio trucks

Veszprem-Szabadi: 47 IL 2

47 Rata

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Numerous radio trucks and camouflaged reservoirs (tank trucks?) have been seen near the field.

The city of Veszprem is still heavily occupied by Soviet flyers. The vehicles that they use are of the following series:

C - 7 - 85 - xx

W - 5 - 72 - xx

3 - 6 - 55 - xx

3 - 6 - 56 - xx

3 - 6 - 57 - xx

The series /- 2 - xx - xx, formerly observed for the air units, has completely disappeared.

Papa:

At the airdrome on 24 September:

18 Jak 9

5 4-engine bombers

2 TU.2

The number and the type of aircraft change frequently.

No troops have been seen in the city but, on 22 September, the houses on Esterhazy Street, formerly occupied by Soviet flyers, were again requisitioned. It is possible that a new unit is expected.

Kenyeri: On 27 September: 27 IL.2

Barracks and fuel depots recently prepared.

The szekeshervar and Szentkiraly-Szabadja airdromes were not occupied at the end of September.

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The Request for Credit for the Settlement of the
Agreement Regarding the Purchase of the British-Hungarian Bank

The Supreme Economic Council approves the agreement concluded with the British Overseas Bank Limited for the purchase of shares of the British-Hungarian Bank, signed 31 July 1948, by which the purchase price of the 202,500 shares of the British-Hungarian Bank will be paid by the Hungarian Treasury over ten years in forty quarterly payments. The Hungarian Treasury will pay 0.5 percent annual interest on the unpaid balance of 202,500 pounds sterling, purchase price of the shares.

Whereas, by certain clauses of the agreement, the payment for the first block of shares, 5,062.10 pounds sterling, and the payment for the second block of shares, 5,309.05.11 pounds sterling, become due in September and December of the current budget year, the Supreme Economic Council authorizes an extraordinary credit of 245,000 florins for September and 256,000 florins for December under the Financial portfolio heading, "Miscellaneous Expenditures and Receipts". The funds necessary for the payment of the subsequent blocks of shares will always be guaranteed in the subsequent annual budgets.

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Delivery of Argentine raw hides and tanning agents
under the Hungarian-Argentine Trade Agreement

The Supreme Economic Council approves the proposal of the Minister of Finance for the Magyar Kulforgalmi to import within the scope of the Hungarian-Argentine agreement, 126,000 raw hides and 1,000 tons of tanning agents, at \$1,751,000 at 6 percent annual interest, through the Institute Argentina para la Promocion del Intercambio de Buenos Aires.

The Minister of Finance has authorized the National Bank of Hungary to grant the payment guarantee requested by the Argentine seller, as well as the transfer guarantee.

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H U N G A R Y

THE DECISIONS OF THE ECONOMIC COUNCIL

Sales Abroad of Patents and Manufacturing Secrets

In order that Hungarian economy may be the first to profit from patents, manufacturing processes and fabrication secrets, the Supreme Economic Council considers it imperative that industrial inventions, manufacturing processes, processes, fabrication secrets, industrial property, etc., not be sold abroad. Business transactions abroad along these lines will be broached only upon previous authorization of the Commission Authorizing the Sale of Patents under the State Planning Office.

The activities of this Commission will not modify in any way the right of the National Bank of Hungary to study the sale of patents from the viewpoint of incoming currency.

The Commission Authorizing the Sale of Patents will be directed by the President of the Planning Office. The members will be: The secretary general of the Supreme Economic Council, and representatives of the Minister of Interior, the Minister of Industry, and the Minister of the Honved.

The Supreme Economic Council requests that the Ministers of Industry and of Justice draw up a decree in agreement with the secretary general of the Supreme Economic Council, and that they submit it at the next Council of Ministers. This decree is to provide heavy penalty for those who would offer or would sell abroad Hungarian patents or inventions for industrial use without having secured previous authorization from the Commission of Patents.

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Union of Cooperative and Agricultural Commissions of the Council for
Credit Approval

The Supreme Economic Council has decided to unite the two
individual commissions of the Council for Credit Approval.

The role of this single Commission is to present to the Credit
Council the proposed grants of credit to the cooperatives or to the
farmers.

The voting members of the Commission are the Secretary General
of the SEC, and representatives of the Planning Office, the Ministry
of Finance, the Ministry of Agriculture, the Ministry of Commerce
and Cooperatives, and the National Bank of Hungary. Members not
holding the right to vote are the representatives of MOSZK (National
Association of Cooperatives) and OKISZ (National Cooperative for
Small Businesses).

The secretariat of the Commission is made up of the National
Institute for Credit to Cooperatives, OSZH. Meetings of the
Commission will be held at least once a week.

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Reorganization of the Hungarian Economy in View of a Possible Conflict

Parallel to the creation of a People's Army, which is being done with a lot of publicity, less spectacular but no doubt more important work is being done in Hungary with a view to preparing the country for a possible conflict.

This work goes much beyond the Hungarian cadre and is executed according to the directions of the Soviet General Staff. It deals mostly with reconditioning the Hungarian industry with a view to integrating it in a vast war production plan, the decentralization of the factories, and the transformation or preparation of all means of communications (telegraphs, telephones, roads, railroads).

We have already reported the partial reopening of certain armament factories, and the meeting, towards the end of 1947, of a commission to study the reconditioning of the Hungarian industry for war production.

The Commission recently resumed its work and a special organization called "Industrial Directorate for Industrial Development" (literal translation) now has the responsibility of getting the factories to take all the necessary steps. Attached herewith is a copy of a circular recently sent to the Hungarian firms likely to be called upon to work for National Defense. This circular form, which must be returned within the shortest possible period of time, shows perfectly the wishes of the Hungarian government, which even considers the possibility of reducing or totally suppressing non-military production.

On the other hand, the directors of Hungarian industry contemplate not only a production transformation, but they are also considering a dispersion of the factories and, above all, a decentralization which the abnormal development of the capital in comparison to the rest of the country has been made necessary.

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Mr. Imre Vajda, chief of the Planning Office, and Mr. Karozag, Under-Secretary for the Ministry of Industry, have often hinted at their intention to set up industries in the Debrecen, Szeged and Mohacs regions. Such projects mean an important change in the power distribution throughout the country. Work is already in progress to enable certain large cities to enjoy a totally autonomous power supply. Near Debrecen, a power plant using natural gas will be built. The Gyor network will be connected, not to the thermal power plant of Banihida, which already supplies Budapest, but to a Polish power plant using the power reserves of the Dunajec basin, (north slope of the Carpathians). (The Germans had previously studied this project and started the construction of a high tension line through Slovakia).

The attempt to reduce congestion around Budapest extends also to communications.

At the beginning of the year the Hungarian General Staff presented a request for the complete transformation of the telephone and telegraph network, inasmuch as all communications across Hungary are obliged to pass through Budapest. The Postal Directorate, which opposed the project on technical grounds, was subjected to a severe purge. The new Directorate is to receive the necessary credit (part of which has already been allotted by the Economic Council) and will be able to start work immediately.

Reorganization of the road and railroad networks shows the same strategic basis. In many cases, the construction work done on the roads is not at all justified by the needs of local traffic. For example, in the southwestern part of the country, just north of the Yugoslav border, roads which are distinctly of secondary importance are being hastily repaired, and bridges which normally carry only rural trucks and peasant wagons, are being reinforced to support from 5 to 20 tons. Road construction and repairs are now concentrated in the southwestern part of the country. A good road has been rebuilt from Szekesfehervar to Szentgotthard. From Budapest to

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Szekszard and towards the south, the roadway is being covered with concrete.

Secondary railroad lines are being hastily built around Budapest. The actual usefulness of these lines is not at all apparent.

It is interesting to note that west of the Danube, rebuilding efforts are concentrated mainly on the road network while in Eastern Hungary, they are concentrated on the railroads. The small number of railroad bridges over the Danube and their vulnerability may be the basis of this difference in emphasis.

QUESTIONNAIRE

I - Generalities

- 1) Name of the enterprise (if the name has been changed, the previous one.)
- 2) Exact address of the enterprise.
- 3) Direct transport facilities:
 - a) - train: MAV or special freight line; does the factory own a railroad line, loading or transfer facilities?
 - b) - waterways: name, distance from the factory, transfer facilities.
 - c) - others: exact indication of the roads, paved or secondary macadamized road.
- 4) Was it a war plant and to what extent?
- 5) What kind and how much war material did it produce?
- 6a) Participation percentage of its subsidiary enterprises in this production.
- 6) What machinery equipment was used for this production (without much data; indicate only the machine groups).
- 7) What is left of this material?
- 8) Where are the missing machines?

II - Present Situation

- 9) What is currently being produced and how much of it:
 - a) - for civilian consumption
 - b) - for military consumption

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- 10) What would be the maximum war production capacity of the enterprise under the present conditions:
- a) - if civilian production were stopped.
 - b) - if civilian production were maintained.
- 11) The number of employees must be indicated as follows:
- a) wartime maximum
 - b) current total
 - c) if the production were increased, how many more employees needed. Also indicate, in answer to the three questions:
 - a) - number of employees working exclusively on civilian production.
 - b) - number of employees assigned to production of war material.
- 12) General production phases.
- 13) Power needs:
- a) in wartime
 - b) currently
 - c) in case of conversion into war plant
- 14) Is the present production, for certain products, handicapped by lack of machinery? What steps should be taken to increase production? Can the needed machines be bought?
- in this country?
 - abroad?
- 15) What are the weakest points of the contemplated production? How could they be remedied? By stockpiling? Give suggestions.
- 16) How long would it take to put the various new products under way?
- a) by cancelling civilian production.
 - b) by maintaining it.
- 17) Raw materials needs for each new type of product:
- quantity) indicate domestic or foreign source for each
quality) product, separately.
- 18) Auxiliary products needed:
- quantity)
quality) source
- 19) What are the raw materials and auxiliary products (indicate quantity) currently on hand?

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III * Under Investment Conditions

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Taking into account the questions asked under II, please answer also the following questions:

- 20) In order to reach maximum capacity, what would be your needs in:
 - buildings
 - machines
 - installations
 - personnel
- 21) To what extent could your capacity be increased by appropriate investments?
- 22) What were the subsidiaries of the enterprise? What did they produce and in what quantity?
- 23) All these questions also apply to the subsidiaries.

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HUNGARY

GASOLINE DELIVERIES TO SOVIET TROOPS

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From 31 August to 17 September 1948, the following quantities of gasoline have been delivered to the Soviet Army units:

At Szombathely	100 tons
At Hajmasker	180 tons
At Veszprem-	40 tons

According to the Hungarian railway shipment records, these deliveries were consigned as follows:

- for Veszprem, 1st postal district: 23,390
- for Hajmasker, " " : 28,366

Besides these quantities for the land vehicles, which came from Hungarian production, 140 tons of airplane gasoline from USSR were delivered at Veszprem during the same period.

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HUNGARY

ACTIVITIES AND STATIONING OF SOVIET TROOPS IN HUNGARY

Contrary to formal assurances given by the Soviets to the Hungarian Staff, the Training Camp at Hajmasker has not been returned to the Hungarian Army, and the manoeuvres of the Soviet troops were not stopped on 15 September. They even seem to be on the increase.

The troops assembled near Hajmasker had, up to now, concentrated on firing training. Now, however, they are getting ready for large scale manoeuvres with air participation, to take place around Bakony.

Elaborate assault courses have been set up (trenches, barbed wire, anti-tank defenses, etc...). Numerous telephone cables have been installed between Veszprem (present air force post) and the vicinity of Hajmasker. Road traffic between Veszprem and Hajmasker has considerably increased.

Air troops previously stationed at Veszprem have been deployed and are now at Papa and Kenyeri. See B.R. No 341/AMB.

Since 15 September, 16 to 20 tank cars of gasoline or diesel oil have arrived daily at Veszprem (for the air force) and at Petfurdo (for the army.).

At Veszprem, the Soviet Army requisitioned many garages and shops where military vehicles are repaired. Shoe repair shops and tailor shops have also been set up in the city.

On the other hand, no arrival of new troops has been observed in the Veszprem-Hajmasker region since 15 September.

The situation in the various barracks is as follows:

VESZPREM:

The barracks are occupied by flyers (see B.R. No 341/AMB), but many individuals and vehicles (liaison, fatigue details, etc...) belonging to the ground forces stationed in the vicinity of Hajmasker have been observed there.

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Koszeg and Kormend:

No troops except for the billet guard units.

Gyor:

The Hunyadi barracks, formerly occupied by motorized infantry troops, have been returned to the Hungarians.

The Szabadhegy barracks, previously occupied by motorized artillery troops, are still under guard [occupied].

Vehicles noted:

3 - 6 - 58 - xx

3 - 6 - 59 - xx

Little traffic.

Papa:

Air force units only (see B.R. No 341/AMB.)

Observation of the movements and registration of the vehicles leads to the belief that the Soviet occupation troops in Hungary cannot exclusively of the mechanized Division of Szombathely (with some units at Kormend, Koszeg and Gyor), plus the few units stationed on the Yugoslav, Austrian and Hungarian borders (these seem to be under the control of a larger unit stationed in Austria), and the Police forces, the river fleet and the air units.

The units whose vehicles carry the serial numbers ~~10~~3-xx-xx, ~~10~~9-xx-xx, and ~~4~~0-38-xx seem to have no connection whatsoever with the known occupation garrisons (Szombathely, Gyor, etc...) or with the permanent quarters. They are probably stationed in Hungary just for the manoeuvres.

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Development of Cotton Cultivation

With a view to promoting cotton cultivation in Hungary, the Supreme Economic Council makes the following decisions:

1. Supplementary credit of 75,000 florins will be granted by the Ministry of Agriculture to the Research Institute for vegetable cultivation at Szeged to conduct (a) tests on cotton cultivation on 20 acres, and (b) a study of the degree of germination of the imported cotton seeds.

2. The Nationalized Mauthner Company will cultivate 200 acres of cotton. This company will use for this cultivation the producers who have participated up to now. Bank credit of 200,000 florins will be granted to the Mauthner Company to that effect. It is understood that the difference in price which may result from this cultivation will be deducted from the 1949 budget.

3. The Supreme Economic Council requests the Planning Office to supply the Mauthner Company with a mechanical and a manual cotton gin for the Institute of Szeged. A credit of 30,000 florins is granted for this purpose.

The Supreme Economic Council requests that the Ministry of Agriculture send technicians abroad to study cotton cultivation and invite to Hungary technicians from cotton-raising countries, mostly from USSR.

The Supreme Economic Council requests the Ministry of Agriculture to take immediately the necessary steps for the importation of early-maturing cotton seeds to be sown on the 20 acres previously mentioned.

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GRANT OF AID TO THE FRENCH WAR VICTIMS

The Supreme Economic Council authorizes the Minister of Finance to grant to the French aliens who suffered from the war and need immediate aid, 500,000 florins to go under the heading of compensation of war damages requested by the French. To that effect the Supreme Economic Council contemplates a fund of 500,000 florins.

The list of victims in need and the sums to be distributed will be established, according to the French Legation, by the Ministry of Finance in agreement with the secretary general of the Supreme Economic Council.

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